

Capital Pension Plan

2001
Annual
Report

25th

Anniversary



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Financial Statements

Introduction

Message from the Chair

December 31, 2001

To: The Members of the Capital Pension Plan

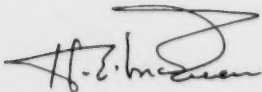
As Chair of the Pension Board for the Capital Pension Plan, it is my pleasure to present the Annual Report and audited Financial Statements for the fiscal year ending December 31, 2001.

Many would agree that 2001 was an eventful year. Equity markets worldwide were recording negative returns for most of the year. The events of September 11 magnified the situation and sent markets even lower. By year-end, many had recovered to pre-September 11 levels, although equity markets remained weak, with many closing the year with negative returns.

The Pension Board is mindful of the impact investment performance can have on members' retirement plans. The Board strives to invest strategically to achieve above average returns while controlling investment risk, taking advantage of growth opportunities when markets are performing well and preserving capital when conditions are less than ideal. Despite turbulent market conditions, the Diversified Fund recorded a rate of return of 2.94% for the year ending December 31, 2001. The Pre-Retirement Fund was created for members approaching retirement and is designed to preserve capital. The Pre-Retirement Fund provided an annual rate of return of 5.56%.

I would like to acknowledge the commitment of my fellow Pension Board members who have worked to ensure the successful operation of the Capital Pension Plan. I would also like to thank our investment managers, asset consultant, custodian and the Plan's administration staff for their hard work during the past year.

Sincerely,



Harvey E. McEwen
Board Chair
Capital Pension Plan

Harvey McEwen, Chair

Capital Pension and Benefits Administration, Retired

Don Axtell

Crown Investments Corporation

David Brindle

CEP Local 911, ISM Canada

Lydia Kapell

Saskatchewan Government Insurance

Micheal McPherson

Saskatchewan Housing Authorities

Ron Cameron

Saskferco Products Inc.

Ken Klein

Capital Pension and Benefits Administration

Larry Sheffer

Office and Professional Employees International Union Local 397

Investment Managers - Diversified Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Linchden Management Limited
Oakville, Ontario

Knight, Bain, Seath & Holbrook Capital Management Inc.
Toronto, Ontario

Investment Manager - Pre-Retirement Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Investment Manager - Retirement Annuity Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Asset Consultant

James P. Marshall, Inc.
Regina, Saskatchewan

Custodian

Royal Trust
Calgary, Alberta

Auditors

KPMG LLP
Regina, Saskatchewan

The Capital Pension Plan was established in 1976 as a defined contribution (money purchase) pension plan. The Plan's purpose is to provide employers with a cost and tax effective method of providing their employees with a means to systematically save for retirement.

The Capital Pension Plan provides retirement benefits to its members and survivor benefits to their beneficiaries. The Plan currently has more than 50 participating employers, including private corporations, labour unions, crown corporations and other selected organizations. There are over 6,400 members in the Plan.

The Plan sponsor is the Crown Investments Corporation of Saskatchewan (CIC). Overall direction is provided by the Pension Board who are either representatives of the participating employers, members or appointed by the Plan sponsor.

The Capital Pension Plan is registered under the *Income Tax Act* (Canada) as No. 0395624. The Plan is governed by the Plan Document, filed with the Superintendent of Pensions (Saskatchewan) in accordance with the *Pension Benefits Act, 1992*. The Plan is administered by the Capital Pension and Benefits Administration.

Governance

In late 2000, a Governance Committee comprising of Pension Board members was established to fully examine plan governance processes. During 2001, the committee began this examination and is in the process of establishing governance guidelines. The Pension Board reaffirmed its commitments to communication with participating employers and Plan members.

2001 Highlights

In October, the Capital Pension Plan marked its 25th anniversary. Originally created in October, 1976, the Plan began with 4 participating employers and closed that year with a total of \$31,971 in assets. Since then, the Plan has grown to include more than 50 participating employers and more than 6,400 contributing and noncontributing members. By December 31, 2001, the Plan's assets grew to \$630 million.

Communication Highlights

During 2001,

- the Capital Pension Plan website (www.capitalpension.com) was maintained and updated weekly with year-to-date investment returns for the Diversified Fund and the Pre-Retirement Fund. Website utilization increased steadily during 2001.
- Annual Statements to Members were mailed during the first week in February.
- the Annual Report for the year ending December 31, 2000 was tabled in the legislature on April 19, 2001.
- three issues of the *Capital Report* were published and mailed to members.

Challenges for 2002

The Plan has identified the following goals for 2002:

- continue to provide above average investment returns despite volatile market conditions.
- develop and implement a comprehensive communication strategy.
- pursue growth opportunities and acquire new participating employers.

Administration

Plan Provisions

Membership

The Capital Pension Plan may consider the membership of any employer interested in joining the Plan. In order to participate in the Plan, an employer must adopt the Plan by resolution.

Participating employers may determine the eligibility criteria for their employees. Typically, full-time employees become eligible to contribute to the Plan immediately, or upon completing a probationary period. Part-time employees may be required to meet certain minimum employment criteria before becoming eligible to contribute to the Plan.

Once an employee becomes a contributing member of the Plan, membership must be maintained as long as employment continues with a participating employer.

Vesting

Vesting refers to the point in time when a member becomes entitled to all past and future contributions made by their employer on their behalf. Contributing members of the Capital Pension Plan become vested at the earlier of:

- the completion of 2 years of continuous service with a participating employer (employers may establish a period of less than 2 years); or
- the date of the member's death; or
- the date the member turns age 65.

Members that terminate prior to becoming vested forfeit their right to the employer's contributions made on their behalf, but can withdraw their contributions and the earnings on their contributions.

Contributions

Both participating employers and contributing members make required contributions to the Plan. Member and employer contributions are directed to an account in the member's name.

Contributing members make required contributions to the Plan based on a percentage of their individual earnings. Participating employers are required to make a contribution on behalf of each of their active members in an amount equal to the member's contribution, unless another contribution rate is established by resolution. *The Pension Benefits Act (1992)* establishes a minimum contribution rate of 1% for participating employers.

Contributing members may choose to make additional voluntary contributions to the Plan. Participating employers are not required to make contributions with respect to such voluntary contributions.

Contributions to the Capital Pension Plan are subject to contribution limits set in the *Income Tax Act* (Canada).

Transferring Equity to the Capital Pension Plan

Members may transfer equity from previous pension plans to the Capital Pension Plan. If a reciprocal agreement exists, service from the previous pension plan may be recognized as well. Members may also transfer funds currently held in RRSPs to the Capital Pension Plan.

Locked-in Equity

Members' equity is categorized as either locked-in or non locked-in. Locked-in equity can be used only to provide pension income at retirement and cannot be withdrawn from the Plan as cash upon termination of employment. Non locked-in equity may be withdrawn as cash and is taxed upon withdrawal.

Required employee and employer contributions become locked-in when the member becomes vested in the Plan. Funds transferred to the Plan on a locked-in basis (i.e. from other pension plans) remain locked-in indefinitely. Voluntary contributions and funds transferred to the Plan from RRSPs remain locked-in as long as the member is employed with a participating employer.

Non Locked-in Equity

Once a member terminates employment, voluntary contributions and funds transferred to the Plan from RRSPs become non locked-in equity. Members may choose to leave the funds in the Plan, withdraw them as cash (with tax withheld), or transfer them to an RRSP.

For Saskatchewan members enrolled in the Plan prior to January 1, 1994, a portion equivalent to 50% of the member's required employee contributions (with earnings thereon) made to the Plan prior to January 1, 1994 is categorized as non locked-in equity.

Retirement

Members may retire and receive a pension from the Capital Pension Plan when:

- the member turns age 50; or
- the member's age plus pensionable service equal 75.

Members may defer receipt of pension income up to the end of the calendar year in which they turn age 69.

Pension Income Options

At retirement, members convert their Capital Pension Plan equity to pension income through the purchase of a retirement income vehicle approved under the *Pension Benefits Act* (1992). Members may purchase:

- a Life Annuity from the Retirement Annuity Fund (RAF), operated by Capital Pension Plan;
- a Life Annuity from an insurance company;
- a Locked-in Retirement Income Fund (LRIF) or Life Income Fund (LIF) from an insurance company or financial institution.

Members may use all or a portion of their Capital Pension Plan equity and may choose one option, or a combination of options.

The amount of pension income a member receives at retirement depends on:

- the pension income option(s) the member chooses;
- depending on the option chosen, the investment returns earned by the funds;
- the age of the member; and
- depending on the option chosen, the age of the member's spouse, if applicable.

Survivor Benefits Prior to Retirement

In the event of a member's death prior to retirement, the Plan provides a survivor benefit to the member's surviving spouse or designated beneficiary. The value of the benefit is equal to the member's equity.

If the member has a spouse, the spouse must be the member's beneficiary. In the event of the member's death, the spouse may:

- leave the equity in the Plan; or
- transfer the equity to a Locked-in Retirement Account (LIRA); or
- purchase a Life Annuity, Life Income Fund (LIF) or Locked-in Retirement Fund (LRIF), regardless of the spouse's age.

If the member does not have a spouse, the member's equity is paid to the designated beneficiary(ies) or the member's estate as a lump sum (with tax withheld).

Survivor Benefits After Retirement

The survivor benefits payable in the event of the member's death after retirement depend on the retirement income option chosen.

Administration Cost Summary

Day to day administration of the Capital Pension Plan is performed by the Capital Pension and Benefits Administration. The Plan is administered on a cost-recovery basis. Administrative expenses are deducted from the Plan's earnings prior to the allocation of investment returns to members' individual equity accounts. Deductions are based on actual costs.

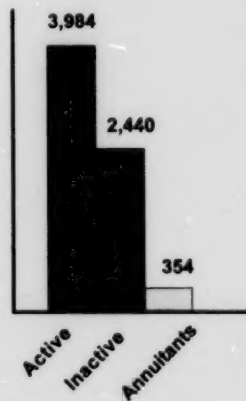
For 2001, total costs amounted to 0.34% or 34 basis points of the Fund's total equity, compared to 0.32%, (32 basis points) for 2000. Cost increases occurred in investment management, custodial service and auditor's fees for 2001. Cost decreases were realized in general administration and actuarial services.

Administration Expenses

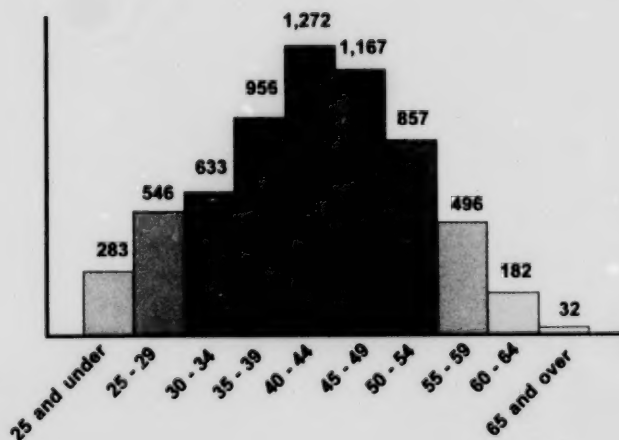
	Diversified Fund		Pre-Retirement Fund		Retirement Annuity Fund		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Investment Management Fees	\$1,269,145	\$1,189,848	\$4,997	\$4,921	\$27,474	\$27,530	\$1,301,616	\$1,222,299
Custodial Service Fees	\$82,720	\$81,910	\$3,240	\$3,156	\$7,240	\$7,586	\$93,198	\$92,652
Investment Performance & Consultant Fees	\$61,644	\$61,643	\$720	\$720	\$2,640	\$2,640	\$65,004	\$65,003
Actuarial Services	--	--	--	--	\$7,500	\$8,337	\$7,500	\$8,337
Auditor's Fees	\$14,916	\$12,525	\$1,060	\$1,000	\$5,009	\$4,525	\$20,985	\$18,050
General Administration*	627,047	673,430	\$6,005	\$5,797	\$52,157	\$34,787	685,208	\$714,014
Total	\$2,055,471	\$2,019,356	\$16,021	\$15,594	\$102,019	\$85,404	\$2,173,511	\$2,120,354

*General administration includes costs for computer systems, salaries and benefits, office rentals, supplies, etc.

At December 31, 2001, the Capital Pension Plan had 6,424 active and inactive members, representing a membership increase of 121 members from 2000. The Retirement Annuity Fund (RAF) had 354 annuitants, which is an increase of 19 from 2000.



Membership Demographics December 31, 2001



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Investments

Investment Funds Overview

The Capital Pension Plan receives contributions from members and participating employers and holds them in trust. Contributions are invested in the Plan's Diversified Fund or Pre-Retirement Fund.

The investment of the Plan's assets has been delegated to professional investment managers under the supervision of Capital's Pension Board, which monitors each Fund based on the guidelines established in the Fund's *Statement of Investment Policies and Goals*. These guidelines are reviewed annually by the Pension Board. Revisions are made as required.

The Plan's custodian, Royal Trust, ensures the safekeeping of the assets, income collection, settlement of investment transactions and accounting for the investment transactions.

The Capital Pension Plan offers members some investment choice. The majority of Plan membership invest their contributions in the Diversified Fund. Members within 5 years of their earliest retirement date may choose to invest some or all of their Plan equity in the Pre-Retirement Fund. Retiring members that choose to purchase an annuity from the Capital Pension Plan are required to transfer their Capital equity to the Retirement Annuity Fund.

At December 31, 2001, the total market value of the assets held by the Diversified Fund and Pre-Retirement Fund topped \$626 million. The chart below reflects the steady growth of the Plan assets from 1997 to 2001.

Market Value
(December 31)



Capital's Diversified Fund was established in 1976. The investment objective of the Diversified Fund is to provide long-term investment growth to maximize retirement wealth for Plan members. To achieve this objective, the Diversified Fund employs an asset mix with a bias towards equity investments. Historically, equities have provided higher average rates of return, although with a greater level of investment risk. Within the equity asset class, the Diversified Fund contains a mix of Canadian, U.S. and Non-North American holdings. Foreign content may not exceed 30% of the book value of the Fund, as per the guidelines established under the *Income Tax Act* (Canada).

The Diversified Fund balances equity investments with bonds, mortgages, real estate and short-term investments. This diversified asset mix is designed to take advantage of potentially higher returns historically associated with equity investments while counteracting some of the associated volatility with bonds and other types of investments. The Capital Pension Board attempts to further reduce the overall level of risk by diversifying within asset classes by investment manager, style and investment mandate.

Investment Policies and Goals

The assets of the Diversified Fund are invested in accordance with the Fund's *Statement of Investment Policies and Goals*, which includes the Fund's asset mix guidelines, quality and quantity constraints for each type of asset, investment objectives as well as the portfolio benchmark and performance objectives. At a minimum, the *Statement of Investment Policies and Goals* is reviewed and, if required, revised annually by the Pension Board.

During 2001, the Diversified Fund's *Statement of Investment Policies and Goals* was amended as follows:

- asset mix guidelines were amended to take advantage of increased foreign content guidelines permitted by the *Income Tax Act* (Canada).
- secondary performance objectives for investment managers were amended by removing the respective percentage guideline. Since the Fund employs managers with a mix of management styles, investment managers are required to outperform the rate earned by the market index for the asset class.

Diversified Fund Asset Mix Guidelines and Benchmark December 31, 2001

	Minimum %	Maximum %	Benchmark %
Equities			
Canadian Equities	19	40	29
U.S. Equities	5	30	14
Non-North American Equities	5	30	14
Emerging Market Equities	0	3	0
Total Foreign Equities	14	35*	28
Total Equities	33	65	57

Real Estate			
Total Real Estate	0	7	5

Fixed Income			
Bonds	30	60	36
Mortgages	0	5	0
Short-term Investments	1	40	2
Total Fixed Income	31	100	38

* not to exceed 30% of book value

Performance Objectives

The Pension Board sets performance objectives or benchmarks to evaluate the performance of the Fund's investment managers. Investment managers provide the Pension Board with quarterly reports on investment performance. In conjunction with James P. Marshall Inc., an independent firm specializing in evaluating investment performance, the Pension Board evaluates short-term and long-term performance on a quarterly, annual, and consecutive four-year rolling basis (i.e. four-year annualized).

Three performance objectives have been established for the Diversified Fund. First, the rate of return earned by the Diversified Fund is to exceed the rate of return earned by a benchmark portfolio consisting of specific weightings for each the Fund's major asset classes.

Diversified Fund Benchmark Portfolio

Asset Class	Weight	Market Index
Canadian Equities	29%	TSE 300
U.S. Equities	14%	S & P 500 (\$C)
Non-North American Equities	14%	EAFE (\$C)
Real Estate	5%	RCPI
Bonds	36%	SC UBI
Short-term/cash	2%	91-day T-bills

The return of the benchmark portfolio is calculated by multiplying the benchmark weightings by the rate of return achieved by the relevant market index. This provides the return that would have been attained had the investment policy guidelines been passively implemented. The amount by which actual Fund performance exceeds the benchmark return reflects the "value added" by the investment managers.

Second, each investment manager is expected to exceed the benchmark performance for each asset class, as compared to the benchmark market performance over the long term. For example, managers investing Canadian equities are expected to exceed the rate of return earned by the TSE 300 Index.

Third, the Fund is expected to achieve a rate of return that is three percentage points above inflation as measured by the Canadian Consumer Price Index (CPI) over a term of 10 years or more.

Diversified Fund's Investment Managers

The Capital Pension Board attempts to further reduce overall investment risk by diversifying within asset classes by investment manager style and investment mandate. In 2001, Capital's Diversified Fund was managed by three investment managers:

Greystone Capital Management Inc. is the Fund's main investment manager, responsible for a diversified portfolio including Canadian equities, foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Vontobel U.S.A. Inc. to manage the Non-North American equities portion of the portfolio.

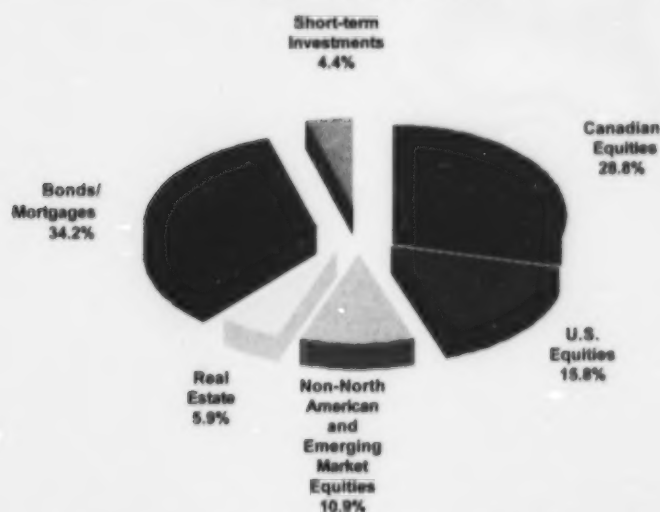
Knight, Bain, Seath & Holbrook Capital Management Inc. is responsible for a portion of the Canadian bond portfolio.

Lincluden Management Limited is responsible for a portion of the Canadian equity portfolio.

Diversified Fund 2001 Performance

The asset mix of the Diversified Fund varied throughout the year within the ranges established by the Pension Board. This reflects the investment managers' efforts to add value to the Fund by adjusting the weightings to respond to changing market conditions. The Fund's asset mix remained in compliance with the *Statement of Investment Policies and Goals*.

Diversified Fund Asset Mix December 31, 2001



Investment markets were volatile throughout 2001. The events of September 11th sent worldwide markets downward, but the impact was short-lived. Many equity markets actually recorded fourth quarter gains, but not enough to offset negative growth earlier in the year.

TSE 300 Index posted a fourth quarter gain of 12.9%, yet closed the year with a 12.6% loss, largely due to weakness in the industrial products sector (i.e. Nortel Networks declined 75.3% during the year). The S & P 500 Index recorded a fourth-quarter gain of 11.8%, thus reducing its annual loss to 6.4%. The EAFE Index gained 8.1% in the fourth-quarter, but declined 16.7% for the year. The EMF Index closed the year in positive territory with a 1.1% return. The Scotia Capital Universe Bond Index (SC UBI) closed the year with a return of 8.1%. The Russell Canadian Property Index recorded a return of 10.7% for the year.

In spite of negative market conditions, Capital's Diversified Fund recorded an annual rate of return of 2.94% and a four-year annualized rate of return of 8.70% (both returns are net of all administration costs). Lincluden Management Limited and Knight, Bain, Seath & Holbrook

Capital Management Inc. provided strong returns. The Diversified Fund's performance exceeded the performance of the benchmark portfolio, which attained an annual return of -3.6% and a four-year annualized return of 6.7%. Over the long-term the Diversified Fund also exceeded the performance objective of three percentage points above inflation as measured by the Consumer Price Index. The four-year CPI was 1.9%, establishing a benchmark of 4.9% for the Fund.

Total Fund		
	Annual	4-year Annualized
Diversified Fund	2.94%*	8.70%*
Benchmark Portfolio	-3.6%	-6.7%

*returns are net of administration costs.

Annual investment performance for the various asset classes was mixed. In Canadian equities, both Greystone and Lincluden outperformed the one-year and four-year benchmark.

Canadian Equities		
	Annual	4-year Annualized
Combined Performance	7.0%	12.4%
Greystone	-0.1%	13.6%
Lincluden	20.9%	9.8%
TSE 300 Index	-12.6%	5.0%

Greystone underperformed the annual benchmark in the U.S. equity asset class, but matched the benchmark performance on a four-year annualized basis.

U.S. Equities		
	Annual	4-year Annualized
Greystone	-6.5%	8.6%
S & P 500 Index	-6.4%	8.6%

For the Non-North American Equity and Emerging Market asset class, Greystone fell short of the annual benchmark performance but exceeded the four-year annualized performance.

Non-North American Equities		
	Annual	4-year Annualized
Greystone	-22.2%	3.9%
EAFE Index	-16.7%	3.4%

Overall bond performance exceeded benchmark performance. Both Greystone and Knight, Bain outperformed the benchmark on an annual and four-year annualized basis.

Bonds		
	Annual	4-year Annualized
Combined Performance	8.9%	7.1%
Greystone	8.8%	7.0%
KBS & H	9.1%	7.1%
SC UBI	8.1%	6.5%

Greystone's real estate holdings fell short of benchmark performance for both the annual and four-year annualized returns.

Real Estate		
	Annual	4-year Annualized
Greystone	8.0%	11.8%
RCPI	10.7%	12.1%

Historic Investment Performance for the Diversified Fund

	2001		2000		1999		1998	
	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark
Total Fund	2.94%	-3.6%	8.19%	5.6%	13.37%	14.9%	10.32%	10.5%
Canadian Equities	7.0%	-12.6%	18.8%	7.4%	27.5%	31.7%	-1.5%	-1.6%
U.S. Equities	-6.5%	-6.4%	-2.2%	-5.9%	7.3%	14.4%	42.0%	38.0%
Non-North American Equities	-22.2%	-16.7%	-14.6%	-11.2%	37.1%	20.0%	27.7%	28.8%
Real Estate	7.8%	10.7%	8.5%	10.4%	11.7%	10.1%	19.2%	16.1%
Bonds/Mortgages	8.9%	8.1%	11.7%	10.3%	-1.5%	-1.1%	9.7%	9.2%

Compound Rates of Return for the Diversified Fund

	1 year	2 years	3 years	5 years	10 years
Diversified Fund	2.94%	5.53%	8.06%	10.19%	11.28%
TSE 300 Index	-12.6%	-3.1%	7.3%	7.0%	10.4%
S & P 500 Index	-6.4%	-6.1%	0.2%	14.1%	16.6%
MSCI EAFE Index	-16.7%	-14.0%	-3.9%	4.0%	7.9%
SC UBI	8.1%	9.2%	5.6%	7.1%	9.0%
RCPI	10.7%	11.2%	10.9%	13.5%	6.7%



Historic Investment Performance for the Diversified Fund

	2001		2000		1999		1998	
	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark
Total Fund	2.94%	-3.6%	8.19%	5.6%	13.37%	14.9%	10.32%	10.5%
<i>Canadian Equities</i>	<i>7.0%</i>	<i>-12.6%</i>	<i>18.8%</i>	<i>7.4%</i>	<i>27.5%</i>	<i>31.7%</i>	<i>-1.5%</i>	<i>-1.6%</i>
<i>U.S. Equities</i>	<i>-6.5%</i>	<i>-6.4%</i>	<i>-2.2%</i>	<i>-5.9%</i>	<i>7.3%</i>	<i>14.4%</i>	<i>42.0%</i>	<i>38.0%</i>
<i>Non-North American Equities</i>	<i>-22.2%</i>	<i>-16.7%</i>	<i>-14.6%</i>	<i>-11.2%</i>	<i>37.1%</i>	<i>20.0%</i>	<i>27.7%</i>	<i>28.8%</i>
<i>Real Estate</i>	<i>7.8%</i>	<i>10.7%</i>	<i>8.5%</i>	<i>10.4%</i>	<i>11.7%</i>	<i>10.1%</i>	<i>19.2%</i>	<i>16.1%</i>
<i>Bonds/Mortgages</i>	<i>8.9%</i>	<i>8.1%</i>	<i>11.7%</i>	<i>10.3%</i>	<i>-1.5%</i>	<i>-1.1%</i>	<i>9.7%</i>	<i>9.2%</i>

Compound Rates of Return for the Diversified Fund

	1 year	2 years	3 years	5 years	10 years
Diversified Fund	2.94%	5.53%	8.06%	10.19%	11.26%
<i>TSE 300 Index</i>	<i>-12.6%</i>	<i>-3.1%</i>	<i>7.3%</i>	<i>7.0%</i>	<i>10.4%</i>
<i>S & P 500 Index</i>	<i>-6.4%</i>	<i>-6.1%</i>	<i>0.2%</i>	<i>14.1%</i>	<i>16.6%</i>
<i>MSCI EAFE Index</i>	<i>-16.7%</i>	<i>-14.0%</i>	<i>-3.9%</i>	<i>4.0%</i>	<i>7.9%</i>
<i>SC UBI</i>	<i>8.1%</i>	<i>9.2%</i>	<i>5.6%</i>	<i>7.1%</i>	<i>9.0%</i>
<i>RCPI</i>	<i>10.7%</i>	<i>11.2%</i>	<i>10.9%</i>	<i>13.5%</i>	<i>6.7%</i>

The Pre-Retirement Fund

Capital's Pre-Retirement Fund was established in 1994. It is available to members who are within five years of their earliest possible retirement date. The investment objective of the Pre-Retirement Fund is to preserve capital and maintain a stable cash flow. The Fund is designed for members who wish to reduce their equity exposure as they approach retirement.

Investment Policies and Goals

The assets of the Pre-Retirement Fund are invested in accordance with the *Statement of Investment Policies and Goals*. This includes the Fund's asset mix guidelines, quality and quantity constraints, investment objectives and performance objectives. The *Statement of Investment Policies and Goals* is reviewed periodically (i.e. at least once per year).

During 2001, the *Statement of Investment Policies and Goals* was amended as follows:

- ➡ benchmarks were included for the asset mix guidelines.
- ➡ the asset mix was adjusted to emphasize short-term bonds rather than short-term investments.

Pre-Retirement Fund Asset Mix Guidelines and Benchmark

	Minimum %	Maximum %	Benchmark %
Fixed Income			
Short-term Bonds	80	99	99
Short-term Investments	1	20	1

Performance Objectives

The Capital Pension Board sets performance objectives for the Pre-Retirement Fund. The Fund's investment manager provides the Pension Board with quarterly reports on performance. In conjunction with James P. Marshall Inc., the Pension Board evaluates short-term and long-term performance on a quarterly, annual and four-year rolling basis (i.e. four-year annualized).

The asset mix of the Fund is dedicated to government issued or government-guaranteed bonds with a term to maturity of five years or less. The rate of return for the Pre-Retirement Fund is based on interest income, amortization of bond discounts and premiums, and realized capital gains and/or losses on the sale of investments. Unrealized gains/losses are not recognized in determining the rate of return as the intention is to hold investments until maturity.

The performance objective for the Pre-Retirement Fund is to achieve a rate of return that exceeds the yield on comparable GIC's published in the Bank of Canada Review as CANSIM Series B14056.

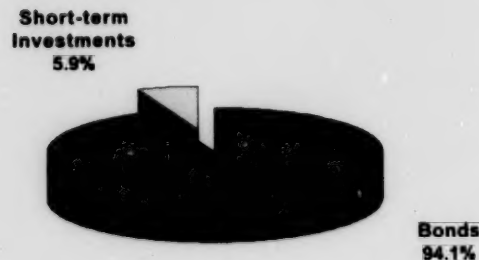
Pre-Retirement Fund's Investment Manager

The entire portfolio of the Pre-Retirement Fund is managed by Greystone Capital Management Inc.

Pre-Retirement Fund 2001 Performance

The asset mix of the Pre-Retirement Fund varied throughout the year within the ranges established by the Pension Board. This reflects the investment manager's efforts to add value to the Fund in response to changing market conditions. The asset mix remained in compliance with the *Statement of Investment Policies and Goals*.

Pre-Retirement Fund Asset Mix December 31, 2001



The Pre-Retirement Fund

While equity markets recorded negative returns, bond and short-term investment returns were generally positive.

Much of the favourable return was generated by gains from falling interest rates. The Bank of Canada cut interest rates by 1.25% during the fourth quarter and 3.5% over the year.

Capital's Pre-Retirement Fund posted an annual rate of return of 5.56%, which exceeded the 5-year Guaranteed Investment Certificate (GIC) rate of 4.05%. The Pre-Retirement Fund's four-year annualized rate is 5.81%, compared to a four-year annualized rate for GIC's of 4.64%.

Total Fund		
	Annual	4-year Annualized
Pre-Retirement Fund	5.56%*	5.81%*
CANSIM Series B14056	4.05%	4.64%

*returns are net of administration fees.

Compound Rates of Return for the Pre-Retirement Fund

	1 year	2 years	3 years	5 years	10 years
Pre-Retirement Fund	5.56%	5.60%	5.61%	5.91%	n/a
5-year GIC's (CANSIM B 14056)	4.05%	4.69%	4.73%	4.66%	n/a

In 1986, the Retirement Annuity Fund was established to provide pension annuities to members of the Capital Pension Plan. Members wishing to purchase an annuity may do so through the Retirement Annuity Fund or from a life insurance company.

When a member chooses to purchase an annuity from the Retirement Annuity Fund, his or her equity in the Capital Pension Plan is transferred to the Retirement Annuity Fund and a life annuity contract is established.

The monthly annuity amount payable to the member from the Retirement Annuity Fund is determined by:

- the amount of equity used to purchase the life annuity;
- the member's age;
- the annuity rate in effect at the time of the annuity purchase; and
- the age of the member's spouse (if a joint & survivor life annuity is purchased).

Investment Policies and Objectives

Funds transferred to the Retirement Annuity Fund are invested in accordance with the *Statement of Investment Policies and Objectives* established for the Fund. The Pension Board reviews the *Statement* annually and revises it as required.

During 2001, no revisions were made to the *Statement of Investment Policies and Objectives* for the Retirement Annuity Fund.

Performance Objectives

The mandate of the Retirement Annuity Fund is to provide lifetime retirement benefits to members that purchase an annuity from the Fund. A rate of return is not calculated for the Fund. The performance objectives of the Retirement Annuity Fund are:

- to be immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payments to annuitants can be made when due; and;
- ensure long-term Fund solvency.

The Retirement Annuity Fund

As such, the Fund contains a substantial "fixed income" component. Once these objectives have been met, any excess assets (i.e. assets in excess of those required to meet the duration matching strategy) may be invested in high quality equities to enhance the long-term solvency of the Fund. The performance objective of the equity component is to:

- outperform the TSE 300 Index, S & P 500 Index and the EAFE Index by at least 10% over rolling four-year periods.

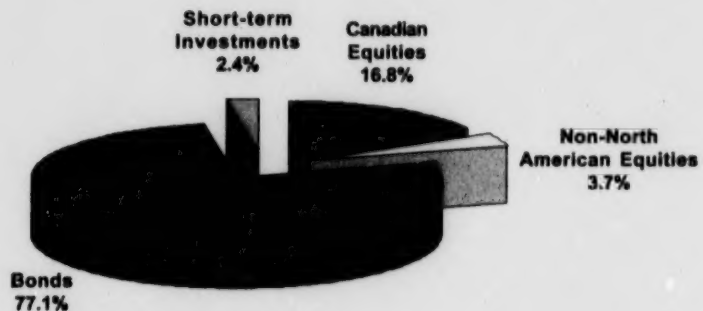
Retirement Annuity Fund's Investment Managers

The Retirement Annuity Fund is managed by Greystone Capital Management Inc.

Retirement Annuity Fund 2001 Performance

Due to the volatility in equity markets, the bond component of the asset mix increased in the last quarter of 2001. Approximately 17% of the Fund's equity component was comprised of Canadian equities, with the remainder invested in Non-North American Equities. Approximately 80% of the Fund was invested in bonds.

Retirement Annuity Fund Asset Mix December 31, 2001



As of December 31, 2001, the performance of the fixed income component of the Retirement Annuity Fund accomplished the established performance objectives. Performance of the equity component can be summarized as follows:

Retirement Annuity Fund Equity Component		
	Annual	4-year Annualized
Canadian Equities	-0.3%	13.5%
TSE 300 Index	-12.6%	5.0%
Non-North American Equities	-22.3%	3.8%
EAFE Index	-16.7%	3.4%

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Definitions

Glossary of Terms

Active Member (Contributing Member)

A member who is currently making employee required contributions to the Plan and/or whose employer is currently making employer required contributions to the Plan.

Annuitant

A member who has used some or all of his/her Plan equity to purchase a life annuity from the Retirement Annuity Fund.

Benchmark

A standard against which others are measured. For the purposes of this report, benchmarks are established market indexes, listed as percentages, used to measure the performance of the Fund's investment returns in relative asset classes.

Benchmark Portfolio

The asset mix of a portfolio that is determined from an investment fund's asset mix guidelines and which is used to measure the performance of a Fund's overall return.

Benchmark Portfolio Return

The rate of return earned by the Benchmark Portfolio derived from the returns of the relative market indexes.

Inactive Member

A member who is no longer working for a participating employer, but who has chosen to leave his/her equity with the Capital Pension Plan.

Plan Text

The official document of the Plan that describes its rules and regulations. Legislation requires that the Plan Text, and amendments thereto, must be filed with and approved by both the Superintendent of Pensions (Saskatchewan) and the Canada Customs and Revenue Agency.

Statement of Investment Policies and Goals

A policy document established by the Pension Board that sets out the asset mix of the investment funds, the manner by which the investment managers may invest the Fund's assets, the specific quantity and quality constraints, and the benchmark returns of the Funds.

Time-Weighted Return

A period-by-period return that does not consider cash contributions to or withdrawals from an investment fund. Time-weighted returns do not reflect the effect cash flow has on the Fund's return.

Total Return

Interest income (loss) plus price fluctuations.

Description of Market Indices

CANSIM Series B14056

Published by the Bank of Canada, this is the average rate for the five-year Guaranteed Investment Certificate.

Consumer Price Index (CPI)

Measures the relative prices at various times of a select group of goods and services which typify those purchased by urban families. It is used to gauge Canada's inflation rate.

Europe, Australia and Far East (EAFE) Index

The EAFE (Europe, Australia and Far East) Index measures the total return attributable to the largest capitalized companies on the European, Australian and Far Eastern stock exchanges.

Emerging Markets Free (EMF) Index

The EMF Index measures the economies that are in the early stages of development, but whose markets have sufficient size and liquidity and are receptive to foreign investment, such as Malaysia and Argentina.

Russell Canadian Property Index (RCPI)

The RCPI provides a comprehensive benchmark of investment returns for institutional real estate properties that are geographically dispersed across Canada.

Scotia Capital Markets Mortgage Index (SCM)

The SCM Mortgage Index measures the total return attributable to Canadian Mortgages.

Scotia Capital Markets Universe Bond Index (SC UBI)

The SC UBI measures the total return attributable to Canadian bonds and includes representative bonds issues by:

- issuer (Federal, Provincial, Municipal and Corporate);
- quality (AAA, AA, A and BBB); and
- term (short-term, mid-term, and long-term)

Standard & Poor's 500 Index (S & P 500)

The S & P 500 Index measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

Toronto Stock Exchange 300 Index (TSE 300)

The TSE 300 Index measures the total return attributable to the 300 largest capitalized companies traded on the Toronto Stock Exchange. The index is compiled and reported on a daily basis. The composition of the index is adjusted annually.

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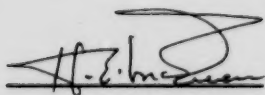
Financial Statements

Management's Responsibility For Financial Reporting

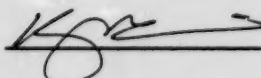
The financial statements and information contained in this 2001 Annual Report have been prepared by management of the Capital Pension and Benefits Administration and has been approved by the Pension Board. Information presented in this Annual Report that relates to the operations and financial position of the Capital Pension Plan is consistent with that in the financial statements.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information presented in this Annual Report.

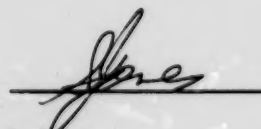
KPMG, the Plan's external auditor, provides an independent audit for the financial statements. Its examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow it to report on the fairness of presentation of the financial statements prepared by management.



H.E. McEwen
Pension Board
Chair



K. M. Klein
Executive Director



S. Jones
Manager,
Accounting Services

Financial Statements of

**CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS**

Year ended December 31, 2001

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KPMG LLP
Chartered Accountants

2000 - 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Telefax (306) 757-4703
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AUDITORS' REPORT

To the Members of Capital Pension Plan - Defined Contribution Funds

We have audited the statement of net assets available for benefits of the Capital Pension Plan - Defined Contribution Funds as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan - Defined Contribution Funds as at December 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

January 28, 2002



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CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

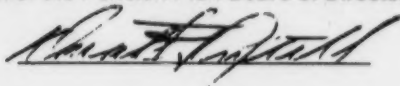
As at December 31

	2001			2000
	Diversified	Pre- Retirement	Total	Total
	Fund	Fund	(thousands of dollars)	
Assets				
Investments at market value (Note 3)	\$ 620,215	\$ 6,298	\$ 626,513	\$ 616,022
Cash	389	19	408	188
Contributions receivable	1,233	3	1,236	1,240
Interest and dividends receivable	2,752	52	2,804	3,564
Capital assets (Note 6)	40	-	40	48
Total Assets	624,629	6,372	631,001	621,062
Liabilities				
Accounts payable	321	4	325	263
Prepaid participants' contributions	113	-	113	105
Total liabilities	434	4	438	368
Net assets available for benefits	\$ 624,195	\$ 6,368	\$ 630,563	\$ 620,694
Net assets available for benefits consists of:				
Members' equity	\$ 624,195	\$ 6,161	\$ 630,356	\$ 620,629
Unallocated unrealized appreciation	-	207	207	65
	\$ 624,195	\$ 6,368	\$ 630,563	\$ 620,694

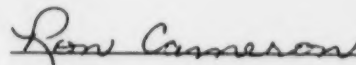
(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director



Director



CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2001			2000
	Diversified Fund	Pre- Retirement Fund	Total	Total
	(thousands of dollars)			
Increase in Assets				
Contributions and transfers in:				
Participants' contributions	\$ 9,651	\$ 29	\$ 9,680	\$ 9,495
Members' contributions	8,104	23	8,127	8,076
Voluntary contributions	874	3	877	778
Transfers into the fund	3,924	-	3,924	3,469
Interfund transfers	(2,161)	2,161	-	-
	20,392	2,216	22,608	21,818
Investment income (Note 4)	19,494	504	19,998	49,431
	39,886	2,720	42,606	71,249
Decrease in Assets				
Pension fund expenses (Note 5):				
Investment management custodian fees	1,352	8	1,360	1,280
Salaries and benefits	315	4	319	386
Other	388	4	392	370
	2,055	16	2,071	2,036
Withdrawals and transfers out (Note 7):				
Withdrawals	25,791	2,435	28,226	22,075
Payouts on retirement	1,796	443	2,239	816
Transfers to other pension plans	201	-	201	629
	29,843	2,894	32,737	25,556
Change in net assets	10,043	(174)	9,869	45,693
Net assets available for benefits, beginning of year	614,152	6,542	620,694	575,001
Net assets available for benefits, end of year	\$ 624,195	\$ 6,368	\$ 630,563	\$ 620,694

(see accompanying notes)

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.
- b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The operations of the RAF are reported separately. A combined financial statement for these three funds has also been prepared.
 - i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members, and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of interest is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan. For purposes of these financial statements, the Diversified Fund and the Pre-Retirement Fund are collectively called the Defined Contribution Funds (DCF).

- ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. The PRF holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. The PRF's intention is to hold all investments until maturity. Allocation of income is based on earnings realized from the investments. Changes in market value are not allocated to the members of the PRF. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

- iii) The RAF was established to enable the Plan to issue retirement annuities to Plan members.

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

1. Description of Plan (continued)

- c) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.
- d) The Plan is a Registered Pension Plan as defined in the **Income Tax Act** and is not subject to income taxes.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

Valuation of investments

The DCF investments are recorded at market value determined as follows:

- a) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds, debentures and equities not traded on a public exchange are valued at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not traded on the valuation date are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the true value thereof.

Pooled equity funds are based on the quoted market price of the underlying equity investments, normally the current bid price.

- b) Short-term investments are valued at cost which approximates their market value.
- c) Mortgages are valued at their net present value using current market based rates of return.
- d) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

Investment transactions and income

Investment transactions are recorded on the settlement date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Interest income is accrued monthly and dividend income is recognized on the record date.

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

2. Significant Accounting Policies (continued)

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	5 years

3. Investments

Defined Contribution Funds investments consist of the following:

	2001			2000
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Bonds and debentures				
Government of Canada	\$ 112,158	\$ 3,065	\$ 115,223	\$ 118,556
Province of Saskatchewan	3,206	775	3,981	3,250
Other provincial	29,802	2,094	31,896	36,602
Corporate and convertible	69,404	-	69,404	59,881
	214,570	5,934	220,504	218,289
Short-term Investments	26,668	364	27,032	43,125
Equities – Canadian	175,701	-	175,701	209,994
Equities – foreign	164,797	-	164,797	115,515
Mortgages	1,571	-	1,571	1,952
Real estate	36,908	-	36,908	27,147
	<u>\$ 620,215</u>	<u>\$ 6,298</u>	<u>\$ 626,513</u>	<u>\$ 616,022</u>

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

3. Investments (continued)

a) Short-term investments

These investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 1.93% to 3.44% (2000 - 5.55% to 6.82%). Interest is receivable at maturity.

b) Bonds and Debentures

The Funds' investment policy limits their investment concentration in any one investee related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk is shown in the following table.

	2001		2000	
	Diversified Fund	Pre- Retirement Fund	Diversified Fund	Pre- Retirement Fund
Interest rate risk based on the bond coupon rate:				
Government of Canada	4.50 - 11.25%	5.00 - 8.75%	4.00 - 11.25%	5.25 - 8.75%
Province of Saskatchewan	4.75 - 6.40%	7.50 - 7.50%	5.50 - 6.00%	7.50 - 7.50%
Other provincial	4.88 - 8.75%	5.50 - 9.00%	5.25 - 9.63%	6.50 - 9.00%
Corporate and convertible	4.25 - 9.90%	- - -	5.35 - 9.90%	- - -
Interest rate risk based on the bond effective rate:				
Government of Canada	2.93 - 5.80%	1.99 - 4.65%	3.59 - 6.06%	5.58 - 6.22%
Province of Saskatchewan	4.88 - 6.22%	4.53 - 4.53%	5.67 - 6.42%	6.19 - 6.19%
Other provincial	2.13 - 6.43%	3.27 - 4.62%	5.38 - 9.24%	5.11 - 6.36%
Corporate and convertible	2.90 - 7.06%	- - -	5.51 - 8.34%	- - -

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

3. Investments (continued)

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount:

	2001			2000
	Diversified Fund	Pre- Retirement Fund	Total	Total
	(thousands of dollars)			
Government of Canada				
Due in one year or less	\$ -	\$ 565	\$ 565	\$ 2,045
After one through five years	48,236	2,357	50,593	76,587
After five years	58,424	-	58,424	36,582
Province of Saskatchewan				
After one through five years	797	700	1,497	500
After five years	2,424	-	2,424	2,751
Other provincial				
Due in one year or less	-	-	-	500
After one through five years	10,693	1,950	12,643	10,948
After five years	17,734	-	17,734	23,803
Corporate and convertible				
Due in one year or less	-	-	-	650
After one through five years	25,722	-	25,722	25,669
After five years	41,265	-	41,265	33,192
	<u>\$ 205,295</u>	<u>\$ 5,572</u>	<u>\$ 210,867</u>	<u>\$ 213,227</u>

c) Equities

The Funds' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities - foreign is \$97,608,000 (2000 - \$58,078,000) denominated in U.S. dollars.

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

3. Investments (continued)

d) Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rates of 6.80% to 10.75% (2000 - 6.80% to 10.75%). Principal and interest are receivable on a monthly basis. The average term to maturity is 8.94 years (2000 - 5.62 years).

e) Real estate investments

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of \$2,188,000 (2000 - \$2,363,000) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

4. Investment Income

Investment income includes the following:

	2001			2000
	Diversified Fund	Pre- Retirement Fund	Total	Total
	(thousands of dollars)			
Bonds and debentures interest	\$ 12,183	\$ 327	\$ 12,510	\$ 12,841
Interest on short-term investments	1,580	15	1,595	2,388
Interest on mortgages	135	-	135	135
Dividends	5,783	-	5,783	13,681
Income from real estate	2,470	-	2,470	1,786
Gain on sale of bonds and debentures	5,087	19	5,106	1,329
Gain on sale of equities	12,816	-	12,816	51,394
Gain on sale of real estate	-	-	-	93
Realization of mortgage discount	189	-	189	-
Net unrealized appreciation (depreciation) of investments	(20,749)	143	(20,606)	(34,216)
	<u>\$ 19,494</u>	<u>\$ 504</u>	<u>\$ 19,998</u>	<u>\$ 49,431</u>

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

5. Operating Expenses

All costs to administer the Plan are borne by the Plan and are reflected in the accompanying financial statements.

6. Capital Assets

Capital assets at cost less accumulated amortization:

			2001	2000
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
		(thousands of dollars)		
Computer equipment	\$ 102	\$ 80	\$ 22	\$ 24
Office furniture	18	8	10	11
Leasehold Improvements	25	17	8	13
	<u>\$ 145</u>	<u>\$ 105</u>	<u>\$ 40</u>	<u>\$ 48</u>

7. Retirement Annuity Fund

As indicated in note 1(b), members may purchase annuities from the RAF upon retirement. During 2001, members transferred an amount of \$2,101,000 (2000 - \$719,000) from the DCF to the RAF for purposes of purchasing retirement annuities. These amounts are included in payouts on retirement.

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

8. Related Party Transactions (continued)

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2001		2000	
	Diversified Fund	Pre- Retirement Fund	Diversified Fund	Pre- Retirement Fund
	(thousands of dollars)			
Participant's contributions	\$ 5,745	\$ 19	\$ 5,826	\$ 17
Investment income	156	50	92	4
Contributions receivable	804	2	730	5
Interest and dividends receivable	27	2	20	1

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

9. Investment Performance

The DCF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term.

The investment objective of the PRF is to preserve capital over the short-term. Based on this objective, the PRF is invested solely in short-term fixed income investments that mature in 5 years or less.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

9. Investment Performance (continued)

The following is a summary of the DCF's investment performance before operating expenses:

	2001 Return		Rolling four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	3.20%	8.30%	8.90%	6.40%
Benchmark rate of return	(3.60%)	9.20%	6.70%	6.60%

10. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:

- a) cash,
- b) short-term investments
- c) contributions receivable
- d) interest and dividends receivable; and
- e) accounts payable

the carrying amounts approximates fair value due to their immediate or short-term maturity.

For all other investments, fair values are considered to be market value, the calculation of which is detailed in note 2.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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Financial Statements of

**CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND**

Year ended December 31, 2001

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KPMG LLP
Chartered Accountants
2000 - 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
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AUDITORS' REPORT

To the Members of Capital Pension Plan - Retirement Annuity Fund

We have audited the statement of financial position of the Capital Pension Plan - Retirement Annuity Fund as at December 31, 2001 and the statement of operations and fund equity for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan - Retirement Annuity Fund as at December 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

January 28, 2002



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CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
STATEMENT OF FINANCIAL POSITION

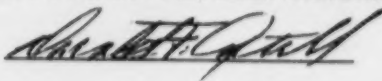
As at December 31

	<u>2001</u>	<u>2000</u>
	(thousands of dollars)	
ASSETS		
Bonds and debentures (Note 3)	\$ 21,283	\$ 19,022
Pooled equity funds (Note 4)	4,605	4,541
Short-term investments	<u>588</u>	<u>773</u>
Total invested assets	26,476	24,336
Interest and accounts receivable	297	338
Cash	<u>171</u>	<u>32</u>
	<u>\$ 26,944</u>	<u>\$ 24,706</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable (Note 9)	\$ 881	\$ 881
Provision for annuity benefits (Note 5)	<u>20,962</u>	<u>18,315</u>
	21,843	19,196
Fund equity (Note 6)	<u>5,101</u>	<u>5,510</u>
	<u>\$ 26,944</u>	<u>\$ 24,706</u>

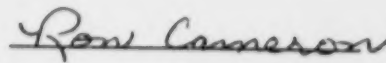
(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director



Director



CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
STATEMENT OF OPERATIONS AND FUND EQUITY

As at December 31

	<u>2001</u>	<u>2000</u>
	(thousands of dollars)	
Revenue		
Investment income	\$ 1,600	\$ 2,224
Gain on sale of investments	472	452
Transfers from Defined Contribution Funds upon members' retirement	<u>2,101</u>	<u>719</u>
	<u>4,173</u>	<u>3,395</u>
Expenses		
Payment to pensioners	1,833	1,864
Operating expenses (Note 7)	102	85
Increase (decrease) in provision for annuity benefits (Note 5)	<u>2,647</u>	<u>(353)</u>
	<u>4,582</u>	<u>1,596</u>
Net increase (decrease) in fund equity, before the undernoted	(409)	1,799
Settlement of claim (Note 9)	<u>-</u>	<u>855</u>
Net increase (decrease) in fund equity	(409)	944
Fund equity, beginning of year	<u>5,510</u>	<u>4,566</u>
Fund equity, end of year	<u>\$ 5,101</u>	<u>\$ 5,510</u>

(see accompanying notes)

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to **The Crown Corporations Act, 1978**, and continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.
- b) The Plan is comprised of the Retirement Annuity Fund (RAF) and the Defined Contribution Funds (DCF). A combined financial statement has also been prepared.
 - i) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the Defined Contribution Funds to the RAF and a pension contract is established based on current interest rates and group annuity mortality tables.

Crown Investments Corporation of Saskatchewan is the Plan sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur.
 - ii) The DCF receive and hold, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions. The operations of the DCF are reported separately.
- c) The Plan is a Registered Pension Plan as defined in the **Income Tax Act** and is not subject to income taxes.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

Valuation of Investments

- a) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.
- b) Investment in pooled equity funds are carried at cost.
- c) Short-term investments are carried at cost.
- d) Investments are written down when there has been a decline in value, which is other than temporary.

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

2. Significant Accounting Policies (continued)

Investment Transactions and Income

Investment transactions are recorded on the settlement date. Interest income is accrued monthly and dividend income is recognized on the record date.

3. Bonds and Debentures

Bonds and debentures include the following:

	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	\$ 6,603	\$ 6,817	\$ 4,995	\$ 5,232
Province of Saskatchewan	2,146	2,753	3,100	4,121
Other Provincial	11,741	12,705	10,417	11,550
Corporate	793	873	510	588
	<u>\$ 21,283</u>	<u>\$ 23,148</u>	<u>\$ 19,022</u>	<u>\$ 21,491</u>

The RAF's investment policy limits its investment concentration in any one investee related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2001		2000	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 9.75%	3.14 - 6.13%	5.50 - 8.75%	5.44 - 7.94%
Province of Saskatchewan	0.00 - 10.00%	5.64 - 6.59%	9.60 - 10.00%	6.69 - 9.73%
Other provincial	0.00 - 10.13%	2.65 - 6.66%	6.00 - 10.25%	5.83 - 10.75%
Corporate and convertible	8.80 - 10.55%	4.67 - 5.80%	8.35 - 10.55%	8.56 - 12.49%

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

3. Bonds and debentures (continued)

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2001		2000	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
	(thousands of dollars)			
Government of Canada				
After one through five years	\$ 1,101	\$ 1,220	\$ 782	\$ 770
After five years	5,502	6,837	4,213	5,150
Province of Saskatchewan				
After five years	2,146	2,287	3,100	3,257
Other Provincial				
Due in one year or less	498	500	-	-
After one through five years	883	875	415	400
After five years	10,360	12,641	10,002	9,792
Corporate				
After one through five years	-	-	140	140
After five years	793	750	370	390
	<u>\$ 21,283</u>	<u>\$ 25,110</u>	<u>\$ 19,022</u>	<u>\$ 19,899</u>

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

4. Pooled Equity Funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds as at December 31, 2001 are \$6,155,000 (2000 - \$6,488,000).

5. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, an interest rate of 5.50% was used for the first 15 years and 6% thereafter. The interest rate assumption used for the first 15 years has been decreased by 0.75% from the last valuation. Also, the 1983 mortality tables have been used. If the interest rate used increases by 1%, the provision for annuity benefits decreases by \$1,685,000 or if the interest rate used decreases by 1%, the provision for annuity benefits increases by \$1,964,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by \$680,000.

The annual change in the liability is reflected in the statement of operations. The principal components of the change during the year were as follows:

	2001	2000
	(thousands of dollars)	(thousands of dollars)
Provision, beginning of year	\$ 18,315	\$ 18,668
Increase in liability due to new annuitants during year	2,240	549
Net change in liability due to aging and gain from mortality	(38)	(186)
Expected annuity payments with interest	(1,832)	(1,883)
Interest on liabilities	1,145	1,167
Change in interest rate assumption	1,132	-
Provision, end of year	<u>\$ 20,962</u>	<u>\$ 18,315</u>

6. Fund Equity

Fund equity is intended as long-term capitalization of the RAF. Any balance in Fund equity over and above the amounts required to support the annuities can only be used to improve members' benefits.

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

7. Operating Expenses

All costs to administer the Plan are borne by the Plan and are reflected in the accompanying financial statements.

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2001		2000
			(thousands of dollars)
Investment income	\$ 214	\$	288
Interest income receivable	84		122

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

9. Settlement of Claim

A judgment in the amount of \$855,000 was rendered in the prior year regarding the Statement of Claim that had been filed against the Retirement Annuity Fund by the Potash Corporation of Saskatchewan Inc. (PCS Inc.), a former participant in the Fund. The judgment ruled in favor of PCS Inc. and the amount has been accrued in these financial statements. The court decision has been appealed and any adjustment to the amount of the judgment will be accounted for in the period of a successful appeal.

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2001

10. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:

- a) cash,
- b) short-term investments,
- c) interest and accounts receivable, and
- d) accounts payable

the cost approximates the fair value due to their immediate or short-term maturity.

The fair value of bonds and debentures is estimated based on bid quotations received from security dealers for these or similar investments.

The fair value of the pooled equity funds is based on the quoted market price of the underlying equity investments, normally the current bid price.

The fair value of the provision for annuity benefit cannot be readily determined, however information about this liability is provided in Note 5.

Financial Statements of

**CAPITAL PENSION PLAN
COMBINED FINANCIAL STATEMENTS**

Year ended December 31, 2001

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AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the combined statement of net assets available for benefits of the Capital Pension Plan as at December 31, 2001 and the combined statement of changes in net assets available for benefits for the year then ended. These combined financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

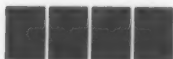
In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan as at December 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

January 28, 2002



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CAPITAL PENSION PLAN

COMBINED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2001				2000
	Diversified Fund	Pre- Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Assets					
Investments at market value (Note 4)	\$ 620,215	\$ 6,298	\$ -	\$ 626,513	\$ 616,022
Investments at cost (Note 5)	-	-	26,476	26,476	24,336
Total investments	620,215	6,298	26,476	652,989	640,358
Cash	389	19	171	579	220
Contributions receivable	1,233	3	-	1,236	1,240
Interest and dividends receivable	2,752	52	297	3,101	3,902
Capital assets (Note 10)	40	-	-	40	48
Total Assets	624,629	6,372	26,944	657,945	645,768
Liabilities					
Accounts payable	321	4	881	1,206	1,144
Prepaid participants' contributions	113	-	-	113	105
Provision for annuity benefits (Note 11)	-	-	20,962	20,962	18,315
Total liabilities	434	4	21,843	22,281	19,564
Fund equity	-	-	5,101	5,101	5,510
Total Liabilities and Fund equity	434	4	26,944	27,382	25,074
Net assets available for benefits	\$ 624,195	\$ 6,368	\$ -	\$ 630,563	\$ 620,694

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director



Director



CAPITAL PENSION PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2001					2000
	Diversified Fund	Pre-Retirement Fund	Total Defined Contribution Funds	Retirement Annuity Fund	Total	Total
	(thousands of dollars)					
Increase in Assets						
Investment income (Note 6)	\$ 19,494	\$ 504	\$ 19,998	\$ 2,072	\$ 22,070	\$ 52,107
Contributions and transfers in (Note 7)	18,734	1,773	20,507	2,101	22,608	21,818
	38,228	2,277	40,505	4,173	44,678	73,925
Decrease in Assets						
Withdrawals and transfers out (Note 8)	26,130	2,435	28,565	-	28,565	22,801
Payments to pensioners	-	-	-	1,833	1,833	1,864
Increase (decrease) in provision for annuity benefits (Note 11)	-	-	-	2,647	2,647	(353)
Operating expenses (Note 9)	2,055	16	2,071	102	2,173	2,121
	28,185	2,451	30,636	4,582	35,218	26,433
Change in Net Assets, before the undernoted	10,043	(174)	9,869	(409)	9,460	47,492
Settlement of claim (Note 14)	-	-	-	-	-	855
Change in Net Assets	10,043	(174)	9,869	(409)	9,460	46,637
Fund equity, beginning of year	-	-	-	5,510		
Fund equity, end of year	-	-	-	\$ 5,101		
Net assets available for benefits, beginning of year	614,152	6,542	620,694			
Net assets available for benefits, end of year	\$ 624,195	\$ 6,368	\$ 630,563			

(see accompanying notes)

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.
- b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The DF and PRF are defined contribution funds while the RAF offers annuities to members upon retirement. The DF and the PRF are collectively called the Defined Contribution Funds (DCF).

- i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of interest is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

- ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. The PRF holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. The PRF's intention is to hold all investments until maturity. Allocation of income is based on earnings realized from the investments. Changes in market value are not allocated to the members of the PRF. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

- iii) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the DCF to the RAF and a pension annuity contract is established based on current interest rates and group annuity mortality tables.

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

1. Description of Plan (continued)

- c) Crown Investments Corporation of Saskatchewan is the sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur. The DF and PRF have no responsibility to fund any shortfalls in the RAF.
- d) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.
- e) The Plan is a Registered Pension Plan as defined in the **Income Tax Act** and is not subject to income taxes.

2. Scope of Financial Statements

Separate funds exist for the DCF and the RAF but are subject to common administration. Accordingly, these combined financial statements have been prepared to reflect this common administration. For further information readers should refer to the individual statements of the DCF and the RAF.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

Valuation of investments

- a) The DCF investments are recorded at market value determined as follows.

- i) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds, debentures and equities not traded on the valuation date are valued at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not listed upon any exchange are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the true value thereof.

Pooled equity funds are valued based on the quoted market price of the underlying equity investments, normally the current bid price.

- ii) Short-term investments are valued at cost which approximates their market value.
 - iii) Mortgages are valued at their net present value using current market based rates of return.
 - iv) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

3. Significant Accounting Policies (continued)

b) The RAF investments are recorded as follows:

- i) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.
- ii) Investments in pooled equity funds are carried at cost.
- iii) Short-term investments are carried at cost.
- iv) Investments are written down when there has been a decline in value, which is other than temporary.

Investment transactions and income

Investment transactions are recorded on the settlement date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Interest income is accrued monthly and dividend income is recognized on the record date.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	5 years

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

4. Defined Contribution Funds Investments

	2001			2000
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Bonds and debentures	214,570	5,934	220,504	218,289
Short-term Investments	26,668	364	27,032	43,125
Equities – Canadian	175,701	-	175,701	209,994
Equities – foreign	164,797	-	164,797	115,515
Mortgages	1,571	-	1,571	1,952
Real estate	36,908	-	36,908	27,147
	<u>\$ 620,215</u>	<u>\$ 6,298</u>	<u>\$ 626,513</u>	<u>\$ 616,022</u>

a) Short-term investments

These investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 1.93% to 3.44% (2000 – 5.55% to 6.82%). Interest is receivable at maturity.

b) Bonds and Debentures

The Funds' investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and 30% for bonds and debentures issued by any one province.

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk is shown in the following table.

	2001		2000	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Interest rate risk based on bond coupon rate:				
Government of Canada	4.50 - 11.25%	5.00 - 8.75%	4.00 - 11.25%	5.25 - 8.75%
Province of Saskatchewan	4.75 - 6.40%	7.50 - 7.50%	5.50 - 6.00%	7.50 - 7.50%
Other provincial	4.88 - 8.75%	5.50 - 9.00%	5.25 - 9.63%	6.50 - 9.00%
Corporate and convertible	4.25 - 9.90%	- - -	5.35 - 9.90%	- - -
Interest rate risk based on bond effective rate:				
Government of Canada	2.93 - 5.80%	1.99 - 4.65%	3.59 - 6.06%	5.58 - 6.22%
Province of Saskatchewan	4.88 - 6.22%	4.53 - 4.53%	5.67 - 6.42%	6.19 - 6.19%
Other provincial	2.13 - 6.43%	3.27 - 4.62%	5.38 - 9.24%	5.11 - 6.36%
Corporate and convertible	2.90 - 7.06%	- - -	5.51 - 8.34%	- - -

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

4. Defined Contribution Funds Investments (continued)

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount:

	2001			2000
	Diversified Fund	Pre- Retirement Fund	Total	Total
	(thousands of dollars)			
Government of Canada				
Due in one year or less	\$ -	\$ 565	\$ 565	\$ 2,045
After one through five years	48,236	2,357	50,593	76,587
After five years	58,424	-	58,424	36,582
Province of Saskatchewan				
After one through five years	797	700	1,497	500
After five years	2,424	-	2,424	2,751
Other provincial				
Due in one year or less	-	-	-	500
After one through five years	10,693	1,950	12,643	10,948
After five years	17,734	-	17,734	23,803
Corporate and convertible				
Due in one year or less	-	-	-	650
After one through five years	25,722	-	25,722	25,669
After five years	41,265	-	41,265	33,192
	<u>\$ 205,295</u>	<u>\$ 5,572</u>	<u>\$ 210,867</u>	<u>\$ 213,227</u>

c) Equities

The Funds' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities - foreign is \$97,608,000 (2000 - \$58,078,000) denominated in U.S. dollars.

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

4. Defined Contribution Funds Investments (continued)

d) Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rate of 6.80% to 10.75% (2000 - 6.80% to 10.75%). Principal and interest are receivable on a monthly basis. The average term to maturity is 8.94 years (2000 - 5.62 years).

e) Real estate investments

Investments in real estate consist of Canadian commercial property.

Included in Real estate is an investment of \$2,188,000 (2000 - \$2,363,000) in SaskPen Properties Ltd. SaskPen Properties is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

5. Retirement Annuity Fund Investments

a) Retirement Annuity Fund investments consist of the following:

	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Bonds and debentures	\$ 21,283	\$ 23,148	\$ 19,022	\$ 21,491
Pooled equity funds	4,605	6,155	4,541	6,488
Short-term investments	588	588	773	773
	<u>\$ 26,476</u>	<u>\$ 29,891</u>	<u>\$ 24,336</u>	<u>\$ 28,752</u>

Bonds and debentures include the following:

	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	\$ 6,603	\$ 6,817	\$ 4,995	\$ 5,232
Province of Saskatchewan	2,146	2,753	3,100	4,121
Other Provincial	11,741	12,705	10,417	11,550
Corporate	793	873	510	588
	<u>\$ 21,283</u>	<u>\$ 23,148</u>	<u>\$ 19,022</u>	<u>\$ 21,491</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

5. Retirement Annuity Fund Investments (continued)

The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2001		2000	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	5.75 - 9.75%	3.14 - 6.13%	5.50 - 8.75%	5.44 - 7.94%
Province of Saskatchewan	9.60 - 10.00%	5.64 - 6.59%	9.60 - 10.00%	6.69 - 9.73%
Other provincial	6.00 - 10.13%	2.65 - 6.66%	6.00 - 10.25%	5.83 - 10.75%
Corporate and convertible	8.80 - 10.55%	4.67 - 5.80%	8.35 - 10.55%	8.56 - 12.49%

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2001		2000	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
(thousands of dollars)				
Government of Canada				
After one through five years	\$ 1,101	\$ 1,220	\$ 782	\$ 770
After five years	5,502	6,837	4,213	5,150
Province of Saskatchewan				
After five years	2,146	2,287	3,100	3,257
Other Provincial				
Due in one year or less	498	500	-	-
After one through five years	883	875	415	400
After five years	10,360	12,641	10,002	9,792
Corporate				
After one through five years	-	-	140	140
After five years	793	750	370	390
	<u>\$ 21,283</u>	<u>\$ 25,110</u>	<u>\$ 19,022</u>	<u>\$ 19,899</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

5. Retirement Annuity Fund Investments (continued)

b) Pooled equity funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds as at December 31, 2001 are \$6,155,000 (2000 - \$6,488,000).

c) Short-term investments

At December 31, 2001, the Fund had \$588,000 (2000 - \$773,000) invested in short term investments with an average rate of 3.26% (2000 - 5.70%).

6. Investment Income

Investment income is comprised of the following:

	2001				2000
	Diversified Fund	Pre- Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Bond and debenture interest	\$ 12,183	\$ 327	\$ 1,510	\$ 14,020	\$ 14,261
Interest on short-term investments	1,580	15	26	1,621	2,436
Interest on mortgages	135	-	-	135	135
Dividends	5,783	-	64	5,847	14,437
Income from real estate	2,470	-	-	2,470	1,786
Gain on sale of bonds and debentures	5,087	19	472	5,578	1,781
Gain on sale of equities	12,816	-	-	12,816	51,394
Gain on sale of real estate	-	-	-	-	93
Realization of mortgage discount	189	-	-	189	-
Net realized appreciation (depreciation) of investments	(20,749)	143	-	(20,606)	(34,216)
	<u>\$ 19,494</u>	<u>\$ 504</u>	<u>\$ 2,072</u>	<u>\$ 22,070</u>	<u>\$ 52,107</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

7. Contributions and Transfers in

Contributions and transfers in are comprised of the following:

	2001				2000
	Diversified Fund	Pre- Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	\$ 9,651	\$ 29	\$ -	\$ 9,680	\$ 9,495
Members' contributions	8,104	23	-	8,127	8,076
Voluntary contributions	874	3	-	877	778
Transfers into the fund	3,924	-	-	3,924	3,469
Interfund transfers	(3,819)	1,718	2,101	-	-
	<u>\$ 18,734</u>	<u>\$ 1,773</u>	<u>\$ 2,101</u>	<u>\$ 22,608</u>	<u>\$ 21,818</u>

8. Withdrawals and Transfers Out

Withdrawals and transfers out are comprised of the following:

	2001				2000
	Diversified Fund	Pre- Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Withdrawals	\$ 25,791	\$ 2,435	\$ -	\$ 28,226	\$ 22,075
Payout on retirement	138	-	-	138	97
Transfers to other pension plans	201	-	-	201	629
	<u>\$ 26,130</u>	<u>\$ 2,435</u>	<u>\$ -</u>	<u>\$ 28,565</u>	<u>\$ 22,801</u>

9. Operating Expenses

All costs to administer the Plan are borne by the Plan and are reflected in the accompanying financial statements.

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

10. Capital Assets

Capital assets at cost less accumulated amortization:

	Cost	Accumulated Depreciation	2001 Net Book Value	2000 Net Book Value
		(thousands of dollars)		
Computer equipment	\$ 102	\$ 80	\$ 22	\$ 24
Office furniture	18	8	10	11
Leasehold Improvements	25	17	8	13
	<u>\$ 145</u>	<u>\$ 105</u>	<u>\$ 40</u>	<u>\$ 48</u>

11. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. The 1983 mortality tables have been used. For purposes of this actuarial valuation, an interest rate of 5.50% was used for the first 15 years and 6% thereafter. The interest rate assumption used for the first 15 years has been decreased by 0.75% from the last valuation. If the interest rate used increases by 1%, the provision for annuity benefits decreases by \$1,685,000 or if the interest rate used decreases by 1%, the provision for annuity benefits increases by \$1,964,00. If average mortality age increases by 1.1 years the provision for annuity benefits increases by \$680,000.

The annual change in the liability is reflected in the statement of operations. The principal components of the change during the year were as follows:

	2001 (thousands of dollars)	2000
Provision, beginning of year	\$ 18,315	\$ 18,668
Increase in liability due to new annuitants during year	2,240	549
Net change in liability due to aging and gain from mortality	(38)	(186)
Expected annuity payments with interest	(1,832)	(1,883)
Interest on liabilities	1,145	1,167
Change in interest rate assumption	1,132	-
Provision, end of year	<u>\$ 20,962</u>	<u>\$ 18,315</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2001				2000
	Diversified Fund	Pre- Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	\$ 5,745	\$ 19	\$ -	\$ 5,764	\$ 5,843
Investment income	156	50	214	420	324
Contributions receivable	804	2	-	806	735
Interest and dividends receivable	27	2	84	113	143

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

13. Investment Performance

The DCF and the RAF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term.

The investment objective of the PRF is to preserve capital over the short-term. Based on this objective, the PRF is invested solely in short-term fixed income investments that mature in 5 years or less.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

13. Investment Performance (continued)

The following is a summary of the DCF's investment performance before operating expenses:

	2001 Return		Rolling four Year Return	
	Diversified Fund	Pre- Retirement Fund	Diversified Fund	Pre- Retirement Fund
Actual rate of return	3.20%	8.30%	8.90%	6.40%
Benchmark rate of return	(3.60%)	9.20%	6.70%	6.60%

The investment objective of the RAF is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

14. Settlement of claim

A judgment in the amount of \$855,000 was rendered in the prior year regarding the Statement of Claim that had been filed against the Retirement Annuity Fund by the Potash Corporation of Saskatchewan Inc. (PCS Inc.), a former participant in the Fund. The judgment ruled in favor of PCS Inc. and the amount has been accrued in these financial statements. The court decision has been appealed and any adjustment to the amount of the judgment will be accounted for in the period of a successful appeal.

15. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments:

- a) cash,
- b) short-term investments,
- c) contributions receivable,
- d) interest and dividends receivable, and
- e) accounts payable

the carrying amounts approximates fair value due to their immediate or short-term maturity.

The fair value of all other investments is considered to be market value, the determination of which is disclosed in note 3 (a).

The fair value of the provision for annuity benefits cannot be readily determined, however information about this liability is provided in note 11.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.